

Message Text

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ACTION NEA-16

INFO OCT-01 ISO-00 OPIC-12 CIAE-00 DODE-00 INR-11 NSAE-00

PA-04 RSC-01 USIA-15 PRS-01 SP-03 FEA-02 AEC-11

AID-20 CEA-02 CIEP-03 EB-11 FPC-01 H-03 INT-08 L-03

NSC-07 OMB-01 PM-07 SAM-01 SCI-06 SS-20 STR-08

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AMEMBASSY RABAT

C O N F I D E N T I A L CASABLANCA 699

DEPT PASS OPIC/I, USAID

E.O. 11652: GDS

TAGS: ENRG, EIND, MO

SUBJ: MOROCCANIZATION OF OIL MARKETING

1. FIRST ROUND OF NEGOTIATIONS BETWEEN SNPP (SOCIETE NATIONALE DES PRODUITS PETROLIERS) AND FOREIGN OIL MARKETING COMPANIES NOW COMPLETED. DEFINITIVE ROUND TO BEGIN IN SEPTEMBER, AFTER VACATION RECESS. THREE AMERICAN COMPANIES (AND SO FAR AS WE KNOW ALL FOREIGN COMPANIES) HAD MUCH THE SAME EXPERIENCE IN FIRST ROUND, WHICH CONSISTED ALMOST ENTIRELY OF SNPP STATING ITS POSITION, PROPOSING A VALUATION OF COMPANIES AS BASIS FOR 50 PERCENT GOM BUY IN, AND UNWILLING DISCUSS OTHER TOPICS SUCH AS REPATRIATION OF PROCEEDS AND LIQUIDATION OR TOTAL TAKEOVER AS ALTERNATIVE TO MOROCCANIZATION. APPARENTLY USING PROSPECTIVE PROFITABILITY AS BASIS, RATHER THAN BOOK OR MARKET VALUE OF ASSETS, SNPP PROPOSED WHAT COMPANIES CONSIDER VERY LOW VALUATIONS RANGING FROM ONE-FOURTH (TEXACO, ESSO) TO
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ONE-HALF (MOBIL) OF COMPANY- CLAIMED BOOK VALUE. COMPANY

REPS DISTURBED BY FIRST ROUND BUT HOPEFUL THAT SNPP WILL BE MORE FLEXIBLE AND MORE GENEROUS IN SEPTEMBER ROUND.

2. ON SEPARATE BUT RELATED ISSUE OF REVALUATION OF QTE SECURITY STOCKS UNQTE MINCOMMERCE GHISSASSI HAS SO FAR FAILED TO MEET COMPANY REQUEST TO SHOW LEGAL (E.G. DAHIR) BASIS FOR ACTION BUT HAS INFORMED COMPANIES THAT IF PAYMENTS NOT MADE BY AUGUST 1 CAISSE DE COMPENSATION COMPENSATORY PAYMENTS TO COMPANIES (FOR RETAIL SALES AT CONTROLLED, SUB-COST PRICES) WILL BE WITHHELD UNTIL DEBT DISCHARGED. IN MEETING OF ALL FOREIGN COMPANIES THEY AGREED TO REQUEST MINISTER TO SUSPEND ACTION WHILE ISSUE WAS REFERRED TO COMPANY HEADQUARTERS. THEY NOW AWAIT RESPONSE AND/OR CAISSE ACTION TO WITHHOLD PAYMENTS. IF CAISSE DOES SO, COMPANIES WILL HAVE, IN VARYING DEGREE, SERIOUS WORKING CAPITAL PROBLEM. TEXACO SAYS IT WOULD HAVE TO CLOSE DOWN IN MATTER OF WEEKS.

3. THUS, ON BOTH ISSUES, GOM IS SO FAR TAKING TOUGH LINE AND COMPANIES HOPING THAT THIS IS TACTICAL AND GOM WILL SHOW MORE FLEXIBILITY BEFORE ISSUES REACH IMPASSE. US COMPANY REPS, IN MEETING WITH AMBASSADOR, AGREED NEGOTIATIONS HAVE NOT YET RUN COURSE, ULTIMATE ISSUES AND POSITIONS NOT YET DEFINED, AND USG INTERVENTION NOW WOULD BE PREMATURE. THEY AGREED TO STAY IN CLOSE TOUCH AS MATTERS MOVE TOWARD POSSIBLE SEPTEMBER SHOWDOWN. DETAILS BY AIRGRAM.
BRUBECK

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